

Michael F. Easley
Governor



State of North Carolina Office of the Governor

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GOV. EASLEY WARNS TAXPAYERS TO BE WARY OF HIGH COST TAX REFUND LOANS

RALEIGH – Gov. Mike Easley today issued a warning to North Carolina taxpayers to steer clear of high-cost refund anticipation loans, which can substantially reduce the tax refund a person receives. These short-term loans are based on the refund amount a taxpayer expects to receive from the U.S. Internal Revenue Service.

“These loans may sound like a good way to get your refund faster, but many of the loans have extremely high interest rates,” Easley said. “The end result is that too much of your hard-earned money ends up in the hands of the lender and not enough comes back to you.”

Refund anticipation loans can carry interest rates as high as 300 percent per year because of the short time that the loan is outstanding. The result is that borrowers may lose \$100 or more of their refund when they repay the debt.

More than 500,000 North Carolina taxpayers took out refund anticipation loans in 2004, according to IRS statistics. Eight out of 10 of these taxpayers were low-income residents. Easley, who fought predatory lenders when he was Attorney General, reminded citizens that the average IRS processing time for a refund last year was just two weeks.

“If you can wait two weeks after filing your taxes, then most people can avoid a refund loan altogether,” Easley said.

The N.C. Office of the Commissioner of Banks (NCCOB) began airing public service advertisements this week on more than a dozen radio stations across the state to educate the public about the potential pitfalls of these loans. If taxpayers decide to take out a refund loan anyway, they can benefit greatly by shopping around. The cost of the loans can vary greatly and in 2006 more than 1,700 locations offered them.

North Carolina requires companies that market refund anticipation loans to register with NCCOB. To hear the NCCOB’s public service message or get more information about tax refund loans and how to avoid paying too much for one, visit NCCOB’s new Website, www.SaveTheRefund.org. Information on the site includes:

- how to file taxes electronically for free;
- how to gain assistance in preparing tax returns through Volunteer Income Tax Assistance sites.
- how to find lenders that offer short-term loans;
- how to shop for the least expensive refund anticipation loan and find the nearest refund anticipation loan facilitator; and
- how to qualify for the Earned Income Tax Credit.

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